

RIVERSIDE COUNTY

Audit Report

HANDICAPPED AND DISABLED STUDENTS PROGRAM

Chapter 1747, Statutes of 1984,
and Chapter 1274, Statutes of 1985

July 1, 1999, through June 30, 2003



JOHN CHIANG
California State Controller

February 2007



JOHN CHIANG
California State Controller

February 7, 2007

The Honorable Robert E. Byrd
Auditor-Controller
Riverside County
P.O. Box 1326
Riverside, CA 92502-1326

Dear Mr. Byrd:

The State Controller's Office audited the costs claimed by Riverside County for the legislatively mandated Handicapped and Disabled Students Program (Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985) for the period of July 1, 1999, through June 30, 2003.

The county claimed \$17,927,370 for the mandated program. Our audit disclosed that \$15,773,454 is allowable and \$2,153,916 is unallowable. The unallowable costs occurred primarily because the county claimed unsupported and ineligible costs, and understated revenue offsets. The State paid the county \$9,150,175. Allowable costs claimed exceed the amount paid by \$6,623,279.

If you disagree with the audit findings, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (COSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at COSM's Web site, at www.csm.ca.gov (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at csminfo@csm.ca.gov.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb:ams

cc: John J. Ryan, Director
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Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Riverside County for the legislatively mandated Handicapped and Disabled Students Program (Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985) for the period of July 1, 1999, through June 30, 2003. The last day of fieldwork was January 27, 2005.

The county claimed \$17,927,370 for the mandated program. Our audit disclosed that \$15,773,454 is allowable and \$2,153,916 is unallowable. The unallowable costs occurred primarily because the county claimed unsupported and ineligible costs, and understated revenue offsets. The State paid the county \$9,150,175. Allowable costs claimed exceed the amount paid by \$6,623,279.

Background

Chapter 26 of the *Government Code*, commencing with Section 7570, and *Welfare and Institutions Code* Section 5651 (added and amended by Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985) require counties to participate in the mental health assessment for "individuals with exceptional needs," participate on the expanded Individualized Education Program (IEP) team, and provide case management services for "individuals with exceptional needs" who are designated as "seriously emotionally disturbed." These requirements impose a new program or higher level of service on counties.

On April 26, 1990, the Commission on State Mandates (COSM) determined that Chapter 1747, Statutes of 1984, resulted in state-mandated costs that are reimbursable pursuant to *Government Code* Section 17561.

Parameters and Guidelines establishes the state mandate and defines reimbursement criteria. The COSM adopted *Parameters and Guidelines* on August 22, 1991, and it was last amended on August 29, 1996. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs to assist local agencies in claiming reimbursable costs.

Parameters and Guidelines states that only 10% of mental health treatment costs are reimbursable. However, on September 30, 2002, Assembly Bill 2781 (Chapter 1167, Statutes of 2002) changed the regulatory criteria by stating that the percentage of treatment costs claimed by counties for fiscal year (FY) 2000-01 and prior fiscal years is not subject to dispute by the SCO. Furthermore, this legislation states that, for claims filed in FY 2001-02 and thereafter, counties are not required to provide any share of those costs or to fund the cost of any part of these services with money received from the Local Revenue Fund established by *Welfare and Institutions Code* Section 17600 et seq. (realignment funds).

Furthermore, Senate Bill 1895 (Chapter 493, Statutes of 2004) states that realignment funds used by counties for the Handicapped and Disabled Students Program “are eligible for reimbursement from the state *for all allowable costs* to fund assessments, psychotherapy, and other mental health services...” and that the finding by the Legislature is “declaratory of existing law.” (Emphasis added.)

On May 26, 2005, the COSM adopted a *Statement of Decision* for the Handicapped and Disabled Students II Program that incorporates the above legislation and further identified medication support as a reimbursable costs effective July 1 2001. The COSM adopted the *Parameters and Guidelines* for this new program on December 9, 2005, and made technical corrections to it on July 21, 2006. *Parameters and Guidelines* for the Handicapped and Disabled Students II Program states that “Some costs disallowed by the State Controller’s Office in prior years are now reimbursable beginning July 1, 2001 (e.g., medication monitoring). Rather than claimants re-filing claims for those costs incurred beginning July 1, 2001, the State Controller’s Office will reissue the audit reports.” Consequently, we are allowing medication support costs commencing on July 1, 2001.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Handicapped and Disabled Students Program for the period of July 1, 1999, through June 30, 2003.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Section 17558.5. We did not audit the county’s financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the county’s internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

Conclusion

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Findings and Recommendations section of this report.

For the audit period, Riverside County claimed \$17,927,370 for costs of the Handicapped and Disabled Students Program. Our audit disclosed that \$15,773,454 is allowable and \$2,153,916 is unallowable.

For FY 1999-2000, the State paid the county \$4,244,089. Our audit disclosed that \$3,284,658 is allowable. The county should repay the State \$959,431.

For FY 2000-01, the State paid the county \$2,560,665. Our audit disclosed that \$3,741,456 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,180,791, contingent upon available appropriations.

For FY 2001-02, the State paid the county \$2,345,383. Our audit disclosed that \$4,087,464 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$1,742,081, contingent upon available appropriations.

For FY 2002-03, the State paid the county \$38. Our audit disclosed that \$4,659,876 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$4,659,838, contingent upon available appropriations.

Views of Responsible Officials

We issued a draft report on August 24, 2005. Jerry A. Wengerd, Director of Mental Health, responded by letter dated September 16, 2005. He disagreed with the disallowance of medication monitoring and concurred with the other findings. The final audit report includes the county's response.

Subsequent to the issuance of the draft report, the COSM adopted *Parameters and Guidelines* for Handicapped and Disabled Students II Program. Under the newly adopted program guidelines, medication support costs are reimbursable beginning in FY 2001-02. This change impacts Findings 2, 3, and 5, increasing allowable costs by \$1,004,315.

Additionally, we determined that the costs for services to out-of-state seriously emotionally disturbed pupils for case management and vendor payments were unallowable. The county should have claimed these costs under the Seriously Emotionally Disturbed Pupils Program. However, as the deadline for filing a claim had lapsed, we allowed the costs under the Handicapped and Disabled Students Program. This change impacts Findings 2, 3, and 4, increasing allowable costs by \$551,614.

On January 16, 2006, we discussed the additional allowable costs with Maria Mabey, Administrator Manager, Department of Mental Health. Ms. Mabey concurred with the revisions to the report.

Restricted Use

This report is solely for the information and use of Riverside County, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by:

JEFFREY V. BROWNFIELD
Chief, Division of Audits

**Schedule 1—
Summary of Program Costs
July 1, 1999, through June 30, 2003**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 1999, through June 30, 2000</u>				
Assessment and case management costs	\$ 1,047,239	\$ 937,835	\$ (109,404)	Findings 1, 2
Administrative costs	136,943	92,852	(44,091)	Finding 3
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(180,984)	(152,205)	28,779	Findings 3, 4
EPSDT and county match funds	—	(60,839)	(60,839)	Finding 5
State categorical funds (SEP)	(163,982)	(163,982)	—	
Net assessment and case management costs	839,216	653,661	(185,555)	
Treatment costs	4,327,437	3,666,029	(661,408)	Findings 1, 2
Administrative costs	541,869	336,647	(205,222)	Finding 3
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(1,132,070)	(781,211)	350,859	Findings 3, 4
EPSDT and county match funds	—	(258,106)	(258,106)	Finding 5
State categorical funds (SEP)	(332,362)	(332,362)	—	
Other funds	—	—	—	
Net treatment costs	3,404,874	2,630,997	(773,877)	
Total program costs	<u>\$ 4,244,090</u>	3,284,658	<u>\$ (959,432)</u>	
Less amount paid by the State		(4,244,089)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (959,431)</u>		
<u>July 1, 2000, through June 30, 2001</u>				
Assessment and case management costs	\$ 1,094,251	\$ 1,018,043	\$ (76,208)	Findings 1, 2
Administrative costs	116,764	120,045	3,281	Finding 3
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(199,369)	(135,389)	63,980	Findings 3, 4
EPSDT and county match funds	—	(34,773)	(34,773)	Finding 5
State categorical funds (SEP)	(163,327)	(163,327)	—	
Net assessment and case management costs	848,319	804,599	(43,720)	
Treatment costs	4,281,959	3,767,539	(514,420)	Findings 1, 2
Administrative costs	456,615	408,811	(47,804)	Finding 3
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(978,573)	(742,229)	236,344	Findings 3, 4
EPSDT and county match funds	—	(164,247)	(164,247)	Finding 5
State categorical funds (SEP)	(333,017)	(333,017)	—	
Other funds	—	—	—	
Net treatment costs	3,426,984	2,936,857	(490,127)	
Total program costs	<u>\$ 4,275,303</u>	3,741,456	<u>\$ (533,847)</u>	
Less amount paid by the State		(2,560,665)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,180,791</u>		

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2001, through June 30, 2002</u>				
Assessment and case management costs	\$ 1,003,921	\$ 958,993	\$ (44,928)	Findings 1, 2
Administrative costs	119,604	110,284	(9,320)	Finding 3
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(199,862)	(172,596)	27,266	Findings 3, 4
EPSDT and county match funds	—	(53,846)	(53,846)	Finding 5
State categorical funds (SEP)	(150,079)	(150,079)	—	
Net assessment and case management costs	<u>773,584</u>	<u>692,756</u>	<u>(80,828)</u>	
Treatment costs	4,645,872	4,528,913	(116,959)	Findings 1, 2
Administrative costs	501,555	486,626	(14,929)	Finding 3
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(996,484)	(871,204)	125,280	Findings 3, 4
EPSDT and county match funds	—	(227,659)	(227,659)	Finding 5
State categorical funds (SEP)	(346,265)	(346,265)	—	
Other funds	(175,703)	(175,703)	—	
Net treatment costs	<u>3,628,975</u>	<u>3,394,708</u>	<u>(234,267)</u>	
Total program costs	<u>\$ 4,402,559</u>	<u>4,087,464</u>	<u>\$ (315,095)</u>	
Less amount paid by the State		<u>(2,345,383)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,742,081</u>		
<u>July 1, 2002, through June 30, 2003</u>				
Assessment and case management costs	\$ 1,016,749	\$ 968,193	\$ (48,556)	Findings 1, 2
Administrative costs	86,896	90,429	3,533	Finding 3
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(230,682)	(220,469)	10,213	Findings 3, 4
EPSDT and county match funds	—	(63,158)	(63,158)	Finding 5
State categorical funds (SEP)	—	—	—	
Net assessment and case management costs	<u>872,963</u>	<u>774,995</u>	<u>(97,968)</u>	
Treatment costs	5,063,549	5,049,233	(14,316)	Findings 1, 2
Administrative costs	395,747	435,107	39,360	Finding 3
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(1,061,054)	(1,085,912)	(24,858)	Findings 3, 4
EPSDT and county match funds	(21,071)	(268,831)	(247,760)	Finding 5
State categorical funds (SEP)	—	—	—	
Other funds	(244,716)	(244,716)	—	
Net treatment costs	<u>4,132,455</u>	<u>3,884,881</u>	<u>(247,574)</u>	
Total program costs	<u>\$ 5,005,418</u>	<u>4,659,876</u>	<u>\$ (345,542)</u>	
Less amount paid by the State		<u>(38)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 4,659,838</u>		

Schedule 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment</u>	<u>Reference¹</u>
<u>Summary: July 1, 1999, through June 30, 2003</u>				
Assessment and case management costs	\$ 4,162,160	\$ 3,883,064	\$ (279,096)	Findings 1, 2
Administrative costs	460,207	413,610	(46,597)	Finding 3
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(810,897)	(680,659)	130,238	Findings 3, 4
EPSDT and county match funds	—	(212,616)	(212,616)	Finding 5
State categorical funds (SEP)	<u>(477,388)</u>	<u>(477,388)</u>	<u>—</u>	
Net assessment and case management costs	<u>3,334,082</u>	<u>2,926,011</u>	<u>(408,071)</u>	
Treatment costs	18,318,817	17,011,714	(1,307,103)	Findings 1, 2
Administrative costs	1,895,786	1,667,191	(228,595)	Finding 3
Offsetting revenues:				
Short-Doyle/Medi-Cal funds (FFP)	(4,168,181)	(3,480,556)	687,625	Findings 3, 4
EPSDT and county match funds	(21,071)	(918,843)	(897,772)	Finding 5
State categorical funds (SEP)	(1,011,644)	(1,011,644)	—	
Other funds	<u>(420,419)</u>	<u>(420,419)</u>	<u>—</u>	
Net treatment costs	<u>14,593,288</u>	<u>12,847,443</u>	<u>(1,745,845)</u>	
Total program costs	<u>\$ 17,927,370</u>	15,773,454	<u>\$ (2,153,916)</u>	
Less amount paid by the State		<u>(9,150,175)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 6,623,279</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unsupported costs of services claimed

The county did not support with documentation treatment costs of \$282,641 for the audit period. The county claimed costs for services provided at its clinics using rates that did not agree with the rates reported in the county's annual cost reports submitted to the California Department of Mental Health. In addition, the county overclaimed the units of service provided by its contract mental health providers.

Parameters and Guidelines specifies that only actual increased costs incurred in the performance of the mandated activities and adequately documented are reimbursable.

As a result, we have adjusted claimed costs as follows.

	Fiscal Year				Total
	1999-2000	2000-01	2001-02	2002-03	
Assessment costs	\$ (24,316)	\$ 756	\$ (4,105)	\$ —	\$ (27,665)
Treatment costs	(156,360)	31,687	(115,987)	(14,316)	(254,976)
Audit adjustment	<u>\$ (180,676)</u>	<u>\$ 32,443</u>	<u>\$ (120,092)</u>	<u>\$ (14,316)</u>	<u>\$ (282,641)</u>

Recommendation

We recommend that the county ensure that costs claimed are eligible increased costs incurred as a result of the mandate and that they are supported by appropriate documentation.

County's Response

The county concurs with this finding.

SCO's Comment

The finding and recommendation remain unchanged.

FINDING 2— Ineligible costs claimed

The county claimed costs totaling \$1,303,558 for various services that are ineligible for reimbursement.

- The county claimed costs for outreach services that were not related to its eligible clients.
- The county claimed costs for medication monitoring that were ineligible prior to FY 2001-02.
- The county claimed costs for crisis intervention that are ineligible.

Parameters and Guidelines for the Handicapped and Disabled Students Program specifies that only the following treatment services are reimbursable: individual therapy, collateral therapy and contacts, group therapy, day treatment, and the mental health portion of residential treatment in excess of California Department of Social Services

payments for residential placement. It also specifies that only actual increased costs that are incurred in the performance of the mandated activities and that are adequately documented are reimbursable.

On December 9, 2005, the Commission on State Mandates adopted *Parameters and Guidelines* for the Handicapped and Disabled Students II Program. Under the newly adopted mandate, medication support costs are allowable beginning FY 2001-02. We have revised this finding, allowing medication support for FY 2001-02 and FY 2002-03.

Additionally, we determined that the costs for services to out-of-state seriously emotionally disturbed pupils for case management and vendor payments were unallowable. These costs should have been claimed under the Seriously Emotionally Disturbed Pupils (SED) Program. However, since the deadline for filing a claim had lapsed, we allowed the costs under Handicapped and Disabled Students Program.

As a result, we have adjusted claimed costs for ineligible services as follows.

	Fiscal Year				
	1999-2000	2000-01	2001-02	2002-03	Total
Assessment costs:					
Outreach services	\$ (85,088)	\$ (76,964)	\$ (40,823)	\$ (48,556)	\$ (251,431)
Total assessment costs	(85,088)	(76,964)	(40,823)	(48,556)	(251,431)
Treatment costs:					
Medication monitoring	(444,899)	(523,657)	—	—	(968,556)
Crisis intervention	(60,149)	(22,450)	(972)	—	(83,571)
Total treatment costs	(505,048)	(546,107)	(972)	—	(1,052,127)
Audit adjustment	\$ (590,136)	\$ (623,071)	\$ (41,795)	\$ (48,556)	\$ (1,303,558)

Recommendation

We recommend that the county ensure that costs claimed are eligible increased costs incurred as a result of the mandate and that they are supported by appropriate documentation.

County's Response

The county stated that medication monitoring is reimbursable under the current *Parameters and Guidelines*.

The county cited the *California Code of Regulations* (CCR) Section 60020(i), which defines mental health services when delineated in an Individualized Education Program (IEP) in accordance with *Government Code* Section 7572(d), and the *Business and Professions Code*, which defines psychotherapy services to include medication monitoring.

SCO's Comment

We updated the finding to allow medication support costs and related administrative costs and revenues for FY 2001-02 and FY 2002-03.

Parameters and Guidelines for the Handicapped and Disabled Students II Program allows medication support costs beginning in FY 2001-02. Additionally, we modified Finding 2 to include case management and treatment costs for out-of-state pupils. Outreach services are not eligible for reimbursement.

**FINDING 3—
Claimed administrative
costs misstated**

The county made various errors in its computation of reimbursable administrative costs, which understated costs by \$267,733. The county used estimated rather than actual costs, and did not offset all related federal and state reimbursements. The county also misclassified its Medi-Cal administrative reimbursements as reimbursements for services. We revised the finding to incorporate administrative costs and offsetting revenues associated with medication support and case management services for out-of state pupils.

Parameters and Guidelines specifies that only actual increased costs that are incurred in the performance of the mandated activities and that are adequately documented are reimbursable.

We recomputed the administrative cost rates using actual costs and applicable reimbursements, and applied the rates to allowable service costs provided by county clinics. As a result, we have adjusted claimed administrative costs as follows.

	Fiscal Year				Total
	1999-2000	2000-01	2001-02	2002-03	
Assessment costs:					
Administrative costs	\$ (44,091)	\$ 3,281	\$ (9,320)	\$ 3,533	\$ (46,597)
Offsetting revenues:					
Short-Doyle/ Medi-Cal funds	29,576	27,312	25,460	18,964	101,312
Treatment costs:					
Administrative costs	(205,222)	(47,804)	(14,929)	39,360	(228,595)
Offsetting revenues:					
Short-Doyle/ Medi-Cal funds	130,581	113,595	111,345	86,092	441,613
Audit adjustment	\$ (89,156)	\$ 96,384	\$ 112,556	\$ 147,949	\$ 267,733

Recommendation

We recommend that the county ensure that administrative costs are properly computed and claimed.

County's Response

The county agrees with this finding, but stated that the costs would need to be adjusted if any of the unallowable costs are found to be eligible.

SCO's Comment

We revised the finding to incorporate administrative costs and offsetting revenues associated with medication support and case management services for out-of state pupils. The finding and recommendation remain unchanged in regards to computing administrative costs using actual costs and deducting applicable revenues.

**FINDING 4—
Misstated revenue
offsets**

The county claimed Short-Doyle/Medi-Cal reimbursements that did not agree with the amounts reported on its annual cost reports submitted to the California Department of Mental Health. Since we allowed case management and treatment services for out-of-state pupils in Finding 2, the Short-Doyle Medi-Cal adjustments were eliminated.

Parameters and Guidelines specifies that reimbursements received by the county from any source as a result of the mandate must be deducted from its claims.

We computed the revenue offsets using the actual unit reimbursement rates and the actual reimbursement percentages, including the enhanced reimbursement for Healthy Families SEP units. As a result, we have adjusted claimed revenue offsets as follows.

	Fiscal Year				Total
	1999-2000	2000-01	2001-02	2002-03	
Short-Doyle/Medi-Cal revenue offsets:					
Assessment costs:					
Revenue offsets misstated	\$ (797)	\$ 36,668	\$ 1,806	\$ (8,751)	\$ 28,926
Total assessment costs	(797)	36,668	1,806	(8,751)	28,926
Treatment costs:					
Revenue offsets misstated	86,426	(8,071)	13,754	(110,950)	(18,841)
Offsets related to ineligible services:					
Medication monitoring	125,828	123,891	—	—	249,719
Crisis intervention	8,024	6,929	181	—	15,134
Total treatment costs	220,278	122,749	13,935	(110,950)	246,012
Audit adjustment	\$ 219,481	\$ 159,417	\$ 15,741	\$ (119,701)	\$ 274,938

Recommendation

We recommend that the county ensure that its claims reconcile with supporting documents and that all applicable reimbursements received are offset against claimed costs.

County's Response

The county agrees with this finding, but stated that the costs would need to be adjusted if any of the unallowable costs are found to be eligible.

SCO's Comment

We revised the finding to eliminate the Short-Doyle Medi-Cal adjustment. The finding and recommendation remain unchanged in regards to the county using actual reimbursement rates and percentages.

**FINDING 5—
Revenue offsets
omitted from claims**

The county did not report state-matching funds of \$1,110,388 received from the California Department of Mental Health under the Early Periodic Screening, Diagnosis, and Treatment (EPSDT) Program, which partially reimburses the county for the cost of services provided to Medi-Cal clients.

Parameters and Guidelines specifies that any direct payments received from the State that are specifically allocated to the program, and any other reimbursement received as a result of the mandate, must be deducted from the claims.

We computed the reportable EPSDT offsets based on allowable costs of services as follows.

	Fiscal Year				
	1999-2000	2000-01	2001-02	2002-03	Total
EPSDT revenue offsets:					
Assessment costs:					
Revenue offsets misstated	\$ (60,839)	\$ (34,773)	\$ (53,846)	\$ (63,158)	\$ (212,616)
Treatment costs:					
Revenue offsets misstated	(303,996)	(195,787)	(227,710)	(247,760)	(975,253)
Offsets related to ineligible services:					
Medication monitoring	43,021	29,847	—	—	72,868
Crisis intervention	2,869	1,693	51	—	4,613
Total treatment costs	(258,106)	(164,247)	(227,659)	(247,760)	(897,772)
Audit adjustment	\$(318,945)	\$(199,020)	\$(281,505)	\$(310,918)	\$(1,110,388)

Recommendation

We recommend that the county ensure that all applicable reimbursements received are offset against claimed costs.

County's Response

The county agrees with this finding, but stated that the costs would need to be adjusted if any of the unallowable costs are found to be eligible.

SCO's Comment

We revised the finding to eliminate offsets for medication monitoring costs for FY 2001-02 and FY 2002-03.

**Attachment—
County's Response to
Draft Audit Report**



OFFICE OF THE
COUNTY AUDITOR-CONTROLLER

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ASSISTANT AUDITOR-CONTROLLER


September 16, 2005

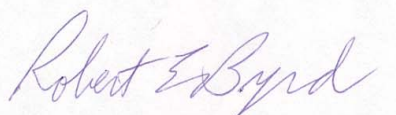
Jim L. Spano, Chief
Compliance Audits Bureau
State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

Dear Mr. Spano:

We have reviewed the draft report prepared by the State Controller's Office covering their audit of the claims filed by our county for the costs of the legislatively mandated Handicapped and Disabled Students Program (Chapter 1747, Statutes of 1984, and Chapter 1274, Statutes of 1985), for the period of July 1, 1999, through June 30, 2003. Our responses to the auditor's findings are attached.

Please contact Ted Kubota at (951) 358-4504 if you have any questions concerning our responses.


for Jerry A Wengerd
Director of Mental Health


Robert E. Byrd, CGFM
Riverside County Auditor-Controller

Attachment

cc: Larry Parrish, County Executive Officer
Ted T. Kubota, Assistant Director of Mental Health
Maria T. Mabey, Administrative Manager II, Mental Health
Michael Alexander, Division Chief, ASA Auditor-Controller

**RESPONSES TO
RIVERSIDE COUNTY AUDIT REPORT
HANDICAPPED AND DISABLED STUDENTS PROGRAM**

Finding 1 – Unsupported costs of services claimed

Recommendation: We recommend that the county ensure that costs claimed are eligible increased costs incurred as a result of the mandate and that they are supported by appropriate documentation.

Response: The County concurs with this finding as it disclosed unsupported costs to the auditor prior to the commencement of the audit.

Finding 2 – Ineligible costs claimed

Recommendation: We recommend that the county ensure that costs claimed are eligible increased costs incurred as a result of the mandate and that they are supported by appropriate documentation.

Response: The County does not concur with this finding as it relates to costs claimed for medication monitoring. The Parameters and Guidelines, Summary of Mandates, references California Code of Regulations, Division 9, Sections 60000-60200, Title 2, as well as Division 7, Title 1 of the Government Code commencing with Section 7570. The Parameters and Guidelines specifically cites Government Code sections 7571 and 7576 and their implementing regulations as governance. The implementing regulations for the provision of Chapter 25.6 of the Government Code are found in the California Code of Regulations, Title 2, Division 9, the Joint Regulations for Handicapped Children.

Section 7576 of the Government Code identifies the Department of Mental Health's responsibility for the provision of Mental Health services and states, in part, that the Department of Mental Health "shall be responsible for the provision of mental health services as defined in regulations by the State Department of Mental Health, developed in connection with the State Department of Education, when required in the pupil's individualized education plan."

Additionally, the Parameters and Guidelines references Section 5651 of the Welfare and Institutions code which assures, in part, that "the county shall provide the mental health services required by Chapter 26.5 (commencing with Section 7570) of Division 7 of Title 1 of the Government Code and will comply with all requirements of that chapter."

The California Code of Regulations in Section 60020(i) defines Mental Health services as such: "Mental Health services" means mental health assessments and the following services when delineated on an IEP in accordance with Section 7572(d) of the Government Code; psychotherapy as defined in Section 2903 of the Business and Professions Code provided to the pupil individually or in a group, collateral services, medication monitoring, intensive day treatment, day rehabilitation, and case management. "Medication monitoring" is clearly defined in 60020(f) as including all medication support services including prescribing, administering, dispensing, and monitoring of psychiatric medications or biologicals necessary to alleviate the symptoms of mental illness. The cost of the medications is not a covered service and has not been billed in the SB90 claiming process.

By citing the above code sections that mandate medication monitoring as a service provided under Chapter 26.5, the Parameters and Guidelines includes medication monitoring by implication and reference and imposes a reimbursable mandate on counties. The Commission on State Mandates recently agreed with this opinion in its adoption on May 26, 2005, of Test Claim Case No.: 02-TC-40/02-TC-49 Handicapped & Disabled Students II Proposed Statement of Position which concluded that the test claim legislation imposes a reimbursable state-mandated program on counties pursuant to article XIII B, section 6 of the California Constitution and Government Code section 17514 for the increased costs of activities including the providing of medication monitoring services when required by the pupil's IEP stating "medication monitoring" is part of the new, and current, definition of "mental health services" that was adopted by the Departments of Mental Health and Education in 1998."

Finding 3 – Administrative costs misstated

Recommendation: We recommend that the county ensure that administrative costs are properly computed and claimed.

Response: The County concurs with this finding and worked with the auditor to develop procedures to ensure this is done based on an acceptable methodology. The revised calculation is based on reduced costs for services found to be ineligible for compensation under this claim. Allowable administrative costs would need to be adjusted if any disallowed services are found to be eligible.

Finding 4 – Misstated revenue offsets

Recommendation: We recommend that the county ensure that its claims reconcile with supporting documents and that all applicable reimbursements received are offset against claimed costs.

Response: The auditor credited back the federal share of Medi-Cal revenue that was received for services found to be ineligible for compensation under this claim. This credit back to the County would be adjusted if any disallowed services are found to be eligible.

Finding 5 – Revenue offsets omitted from claims

Recommendation: We recommend that the county ensure that all applicable reimbursements received are offset against claimed costs.

Response: The County concurs with this finding and worked with the auditor to develop procedures to ensure this is done based on an acceptable methodology. The auditor credited back the state share of Medi-Cal revenue that was received for services found to be ineligible for compensation under this claim. This credit back to the County would be adjusted if any disallowed services are found to be eligible.

**State Controller's Office
Division of Audits
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<http://www.sco.ca.gov>